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FISCAL IMPACT STATEMENT

LS 6452 **NOTE PREPARED:** Jan 26, 2010
BILL NUMBER: SB 313 **BILL AMENDED:** Jan 25, 2010

SUBJECT: Net Metering.

FIRST AUTHOR: Sen. Merritt **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: (Amended) This bill requires the Utility Regulatory Commission (IURC) to adopt emergency rules amending the IURC's net metering rules for electric utilities. It provides that the amended rules must: (1) allow certain net metering customers to interconnect facilities that generate energy from certain renewable energy resources; (2) make net metering available to all customer classes; (3) establish a maximum nameplate capacity for certain customer classes; (4) require certain net metering customers to pay all interconnection costs; (5) establish certain billing requirements; and (6) permit an electric utility to establish in its proposed tariff net metering standards that exceed the standards set forth by the IURC. It provides that the amended rules do not apply to existing net metering agreements.

The bill also requires the IURC to notify the publisher of the Indiana Administrative Code to the extent the existing rules do not comply with the requirements for the amended rules. It requires the IURC to report to the Regulatory Flexibility Committee on: (1) the IURC's progress in adopting the amended rules; and (2) beginning not later than November 1, 2016, the impact of technological advances on the IURC's net metering rules.

Effective Date: (Amended) Upon passage; July 1, 2010.

Explanation of State Expenditures: (Revised) *IURC:* The bill directs the IURC to adopt rules to implement its requirements and to ensure the Indiana Administrative Code is updated as necessary. It requires the Commission to report to the Regulatory Flexibility Committee on its progress in adopting the amended rules, and beginning not later than November 1, 2016, on the impact of technological advances on the net metering rules. Any increase in administrative costs to the IURC would be offset by public utility fees.

Under current law, an electric utility (current law applies only to investor-owned utilities) has to offer net metering to residential customers and K-12 schools that install a generating facility (solar, wind, hydro-electric only) with a capacity of 10 kilowatts (kW) or less. It could, if it wishes, offer net metering to other customers such as state and local governments. Current law also permits the utility to limit the total amount of its capacity allocated to net metering to 0.1% of its most recent summer peak load. If a customer produces a net excess of electricity during the billing period, the excess is credited to the customer's next bill, and the excess can be carried over indefinitely.

This bill requires investor-owned utilities to offer net metering to all customer classes. It expands the type of generating facility to include those that generate electricity from other renewable energy sources permitted by current law besides solar, wind, or hydro-electric (e.g., organic waste biomass, fuel cells, crops grown for energy production, landfill gas, energy storage systems). The bill also deletes the 10 kW capacity requirement for customer generating systems and empowers the IURC to set the maximum allowable capacity. However, under this bill, customers are prohibited from carrying over any excess power generated to the next billing cycle as permitted under current law. This bill also requires a net metering customer to pay all costs and fees associated with interconnecting the customer's generating facility.

The bill does not apply to existing net metering agreements nor to residential customers and schools with a generating capacity of 10 kW or less. For example, residential customers and schools with a generating capacity of 10 kW or less would still be able to carry over any excess power to the next billing cycle under this bill. Additionally, this proposal gives utilities the flexibility to implement net metering standards that exceed those that the Commission establishes. In other words, this bill would permit a utility to offer customers a larger net metering capacity than the IURC has proposed.

(Revised) *State and Local Government Utility Expenditures*: The bill requires electric utilities to offer net metering to state and local governments. As a result, there could be a decrease in electric utility expenditures of state and local agencies. The impact would ultimately depend on how much of its own energy the agency would be capable of generating.

Explanation of State Revenues: (Revised) *Utility Rates:* To the extent that utility rates are affected by the net metering requirements in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections.

(Revised) *Background Information*- As stated by the U.S. Department of Energy, "net metering allows consumers to offset the cost of electricity they buy from a utility by selling renewable electric power generated at their homes or businesses back to the utility. In essence, a customer's electric meter can run both forward and backward in the same metering period, and the customer is charged only for the net amount of power used."

The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: U.S. Department of Energy website;
http://www.eere.energy.gov/states/alternatives/net_metering.cfm

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